

PROSPECTS AND LIMITS OF ECONOMIC DEVELOPMENT OF UNRECOGNIZED STATES: BETWEEN ORGANIZED HYPOCRACY AND PRIVATE INTERESTS¹

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Abstract

Following text deals with prospects and limits of economic growth of contemporary unrecognized states, which represent a group of specific political-geographic entities within the post-1945 political space. The aim of the contribution is to analyse the impact of non-recognition on potential and restraints of unrecognized states. Despite of the generally accepted conventional wisdom, I do argue that unrecognized states are prevalently heterogeneous entities, not only considering their internal effectiveness but also their position within the world order. It is also reflected in their ability to reach political (recognition) as well as economic goals (prosperity). I do base my approach on questioning the argument that unrecognized states constitute effective entities which do lack international recognition only. I argue that geopolitical situation and economic performance of unrecognized states is mainly determined by their geographical location outside of the global gap.

Keywords: Unrecognized entities, de facto state, state, international recognition, sovereignty, globalization, the New Middle Ages theory, core, periphery

Introduction

I proceed from a multidisciplinary and diachronic approach based upon an empirical analysis of the 1946-2013 political space. I delineate all unilateral attempts at secession, which have led to de facto independence (i.e. to the emergence of a political-geographic entity capable of questioning the authority of a central government, within the jurisdiction of which that

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entity's territory formally fell). Theoretically the text is framed within the neorealist approach stressing the continuing importance of physical division of space, anarchic environment as well as the New Middle Age Theory, which is able to explain the existence of anomalous political entities as the result of a decline of the sovereign state based system (particularly regions) and rising disorder and insecurity in world affairs. H. Bull does not consider globalization as a source of relevant changes in the international system. (Bottici 2002). I base my research on "Waltz's argument that globalization is not global but is mainly limited to northern latitudes" (Waltz 1999) and Barnett's dichotomy of Functioning Core and Non-Integrating Gap which has been shrinking as globalization has expanded (Barnett 2005) and where the majority of unrecognized states is located. It can be assumed that unrecognized states are trapped in the anarchic world of positive sovereignty outside the globalized post-modern world.

This text is based on the following hypotheses: 1) international recognition is the core definition characteristic of a state and impacts political status as well as economic prosperity, 2) unrecognized states are highly heterogeneous group of political and geographic entities, 3) geopolitical situation and economic performance is mainly determined by geographical location of unrecognized states. All above mentioned factors have impact on the international position and economic prosperity of particular unrecognized state. Unrecognized states pursue political (independence) as well as economic goals (prosperity) which are not unrelated. I will prove my hypotheses through a definition of unrecognized state, and empirical-analytical research of the political space between 1946 – 2013 with a particular focus on existing unrecognized. Some authors have already pointed out to the fact that there are numerous problems in terminology, so this aspect can not be ignored. I do analyze a comprehensive list of terms for entities derogating from the sovereign state. In order to analyze prospects and limits of economic growth of contemporary unrecognized states, we have to analyze a character and importance of international recognition as well as to consider a geopolitical position of unrecognized states (e. g. geographical location, different interests of global and regional powers, a state affected by the secession of particular unrecognized state, potential external patron of the unrecognized states, regional or sub-regional institutions) and political geography of such an unrecognized state. It is just a combination of internal and external factors that shapes the international environment and dictates prospects and limits of economic growths which all unrecognized entities depend on.

Definition of the unrecognized state

I proceed from the definition of internationally unrecognized entities seeking to gain a full-fledged sovereign-state status but lacking significant international recognition. Such entities must demonstrate internal effectiveness (usually heterogeneous in time and space), which would enable them to control population and territory (and thus economic activity) within the territory to which they lay claim.

Delineation of the period during which an entity must meet given characteristics (effectively control internal affairs) is a methodologically onerous task. P. Kolsto and N. Caspersen suggest a two-year period but justification of their argument in a methodological way would be quite a controversial assignment. I consider precise delineation of the time period of *de facto* independent existence as a superfluous definitional characteristic and believe it could create methodological mishaps. Therefore I am inclined to believe that the duration of *de facto* independent existence should be considered for the various entities. Some entities continue to meet such characteristics for a period of more than 20 years (e. g. Tamil Eelam, Somaliland or Northern Cyprus), but others will cease to exist within a few months of declaring independence (usually after military intervention by the central government and failure to establish effective control over the territory (e. g. Anjouan). Besides the delineation of the time period N. Caspersen tried to precisely define the condition of effective control over the territory to which they lay claim. “An unrecognized state has achieved *de facto* independence, covering at least two-thirds of the territory to which it claims and including main city and key regions.” (Caspersen 2012: 11). Such delineation is also superfluous definitional criterion, the unrecognized state meeting the criteria of internal effectiveness should be able to control the territory to which it lay claim. It is important to note that unrecognized states constitute a whole spectrum of entities stretching from stable to collapsed states.

Terminology

The phenomenon of internationally unrecognized entities is characterized by methodological confusion. Authors label these entities as *de facto* state (Pegg 1998), self-proclaimed state, unrecognized state (Chirikba 2004), pseudo-state (Kolossoff; O’Loughlin 1998), outcast countries, pariah-state (Payne; Veney 2001: 438), anti-state, insurgent state (Muir 1997: 175), J. A. Frowein introduced the term *de facto* regime (Scheu 2008: 5), para-state, almost-state (Stanislawski 2008, Pelczynska-Nalecz; Strachota and Falkowski 2008), proto-state, nascent-state (Smid; Vadura 2009: 47), separatist state, self-proclaimed states (Chirikba 2004), *de facto* quasi-states (Rywkin 2006), and quasi-state (Baev 1998, Chirikba 2004, Rywkin 2006,

Kolsto 2006, Stanislawski 2008, Riegl 2010). Particular terms describe subjects which are virtually independent on the central government of the parent state, but differ in internal characteristics. All these entities lack the international recognition, although de facto entities not seeking international recognition may be identified. Terminology describes them as insurgent state (McCull 1969), anti-state (MUIR), black spot, state-within state (Stanislawski 2008, Pelczynska-Nalecz; Strachota and Falkowski 2008). While terms insurgent state, black spot anti-state describe self-governing entities under the administration of rebel groups seeking to overthrow the central government, the term state-within state describes de facto independent region which is out of the control of the central government as a result of the state break-down, but does not challenge the central government's legitimacy.

While unrecognized states and failed states are often seen as opposites (in terms of internal sovereignty), we can identify terminological notions challenging this paradigm. An important term failed almost state merged in this respect (Pelczynska-Nalecz et al. 2008), which points at the fact that many unrecognized states suffer from attributes of state failure. This fact has an enormous impact on their prospects and limits of economic growth.

Definition and Importance of International Recognition

Prior to decolonization, political map was a patchwork of overlapping sovereignties (empires, sovereign states, colonies, protectorates), but today it pretends to be a colourful patchwork consisting of sovereign territorial states only (with the exception of self and non-self governing territories). In other words: „The international game is now closer to zero-sum game, there are states and there is little else.” (Lynch 2004: 18). But only formally. At the second glance it is obvious there is another map behind the political map of the world (reflecting existing reality) which demonstrates the existence of various anomalous political entities. International recognition is at present not only an oft discussed definition characteristic of a state but at the same time it has been emerging with growing intensity as an important geopolitical instrument of pursuing the foreign policy interests of global and regional powers (Russia's recognition of Abkhazia and South Ossetia may be mentioned among other examples).

Experts in international law, international relations and political sciences will not agree on the merit and significance of international recognition. While the dispute between the proponents of declaratory and constitutive theories of international recognition remains unresolved, I argue that due to changes of regulatory rules of recognition and the introduction of a negative sovereignty, the development of political space after 1945 seems

to bear a constitutive character. International recognition² is one of the most important yet controversial characteristics of a sovereign state. In this context, S. D. Krasner speaks about sovereignty under international law, without which effective territory control is actually insufficient.³ Jackson and Rosberg documented the key role of international recognition on the empirical examples of South African Bantustans (Bophuthatswana, Ciskei, Transkei and Venda), which meet the empirical prerequisites of statehood but, as they were not recognized by any other state except for the Republic of South Africa, they cannot be considered states.⁴ Lack of international recognition had historically a decisive impact on the existence of some of unrecognized states – Biafra, Cabinda, South Kasai, Tanna among others. Leading proponent of political geography M. I. Glassner's definition of sovereign state emphasizes the relationship between geographic and political criteria of statehood. Chief among them, according to Glassner, are:

- 1) Sovereignty⁵,
- 2) Recognition. For a political unit to be accepted as a state, it must be recognized by a significant part of the international community, i.e. existing states.

How large should that part be and how should it be structured – does it need to include regional and global powers or permanent UN SC members, or even parent states in case of unrecognized states? The question remains unanswered. The issue gained prominence in the wake of Kosovo's declaration of independence and a successful referendum on independence for South Sudan (the former is the case of unilateral secession without the consent of the parent state). However an economic viability of both entities is heavily influenced by relations with former parent states which are capable of blocking their economic activities (oil export in the case of South Sudan). The essence of international recognition is for a state to receive international legitimacy (and thus also the access to international organizations, markets etc.) and to become subject to the regulatory rules of sovereignty (i.e. other states respect its territorial integrity and the principle of non-intervention).

The absence of international recognition means that unrecognized entity is perceived as illegitimate in the eyes of international community.

² In this text I use both the term international recognition and the term external sovereignty – the latter meaning the state has been internationally recognized by a significant part of the international community and thus becomes a fully-fledged member of that community, with all rights and duties.

³ Krasner, *Sovereignty: Organized Hypocrisy*.

⁴ Jackson and Rosberg, "Why Africa's Weak States Persist: The Empirical and the Juridical in Statehood.", 13-4.

⁵ Thus, a leading international-law authority on the issue of state, R. Crawford replaces the term sovereignty with the term independence of the state.

Such entities are not protected by the system of negative sovereignty and face traditional security dilemma in anarchic international environment. According to N. Caspersen: “The security concerns associated with unrecognized states fall in two broad camps: (1) risks associated with porous borders and unregulated territories, and (2) the risk of renewed warfare over the contested territory.” (Caspersen 2012: 45). Thus permanent external threat of renewed warfare and pariah status strengthens the internal cohesion lack of international legitimacy justifies high expenditures on security forces and state institutions. Lack of international recognition and international isolation prevents unrecognized states from joining the ranks of sovereign states, described by R. H. Jackson as the world’s most exclusive political club. And thus cannot enjoy all benefits of political and economic globalization. Thus significance of international recognition primarily lies in its impact on entity’s international position which causes its internal difficulties and external threats. It is safe to say that international recognition is the centre point of its existence. Unrecognized states find themselves in anarchic world where independence is more important than economy.

Geopolitical position of unrecognized states in post-1945 era

From a historical perspective, three different historical-political situations, which lead to the unilateral declaration of the entity, may be defined. They are the following types of secession:

- 1) *in compliance with the right to self-determination (entities which declared independence during the decolonization process),*
- 2) *in conflict with the right to self-determination (entities forming on a dependent territory which did not undergo the decolonization process and whose emergence was in conflict with the principle of a nation’s right to self-determination),*
- 3) *outside the context of decolonization (a fairly large group of entities emerging after formal decolonization of dependent territories and the establishment of internationally recognized sovereign states, on whose territories there were post-independence attempts to unilaterally declare independence for parts of such territories).*

It is not possible to generally assume that all that matters are the historical and the geopolitical circumstances, which determine the outcome of an effort to gain independence, because also internal political processes matter. “In most cases ethno-nationalism provided an important driving force, state break-down was often an important factor, and external assistance was crucial.” (Caspersen 2012: 26-27). Brief empirical analyses of 1946 - 2013 period will produce the following list of unrecognized entities seeking the status of the full-fledged sovereign state. A certain period of time must elapse from a declaration of independence to a broad international

recognition, during which a new entity receives formal recognition and is adopted by the international community (endorsement of UN admission). In this period it is not possible to refer to internationally unrecognized entities as unrecognized states unless the process of achieving international recognition is put in doubt.

Table 1-1: List of Unrecognized States in 1946-2009

	Origin/ existence	Unrecognized existence Between 1946–2010	Factors limiting sovereign state status
Abkhazia, Republic of	3.7.1992	1992–	Recognized by Russian Federation, Nicaragua, Venezuela and Nauru. Actually a puppet entity of Russian Federation.
Anjouan, State of	3.8.1997	1997–2002 2007–2008	No international recognition, limited internal sovereignty.
Biafra, Republic of	30.5.1967	1967–1970	Biafra recognized by five states.
Bophuthatswana	6.12.1977	1977–1994	No international recognition, actually no internal sovereignty (de facto under RSA control).
Cabinda, Republic	1.8.1975	1975–11. 11. 1975	No international recognition.
Chechen Republic of Ichkeria	9.10.1991	1991–1999	No international recognition. 16 years after USSR collapse, this small territory housed three types of para-states including <i>almost-state</i> , <i>black spot</i> and <i>state within state</i> .
China, Republic of (Taiwan)	7.10.1949	1971–	Sovereign state until 1971. State with limited international recognition since 1971. Officially claims control of mainland China. Currently recognized by 23 sovereign states, military guarantees by the USA.
Ciskei	1981	1981–1994	No international recognition (de facto under RSA control).
Croat Republic of Herzeg-Bosnia	18.11.1991	1992–1996	No international recognition.
East Mongolian Republic	15.1.1946– 1.5.1947	1946–1947	No international recognition.
East Timor, Democratic Republic of	28.11. 1975– 17.7.1976, 20.5. 2002	1975–1976	Internationally unrecognized quasi-state (according to some sources recognized by Albania, Guinea, Guinea-Bissau, Cape Verde Islands, Mozambique, St. Thomas and Principe Islands) – unrecognized strong institutions eliminated by military intervention by Indonesian central government.

East Turkestan, Republic of	12.11.1944–17.12.1949	1946–1949	No international recognition.
Eritrea, State	27.5.1993	1961–1993	No international recognition.
Gagauzia		1991-1994	No international recognition.
Hyderabad	1724–1950	1947–1950	No international recognition.
Kachin State	1962	1962–1994	No international recognition.
Karen State (Cotulay)	1952–1994	1952–1994	No international recognition.
Katanga, State	11.7.1960	1960–15.1.1963	No international recognition.
Kosovo, Republic	9.10.1991–May 1992, 2008–	1991–1992 2008–	Internationally unrecognized quasi-state, recognised only by Albania. In 1992 Serbia occupied and pacified the province Limited international recognition.
Moheli	11.8.1997	1997–1998	No international recognition.
Nagorno-Karabakh, Republic of	6.1.1992	1992–	No international recognition.
Palestinian state	15.11.1988	1988–2009	Limited international recognition.
Republic of Kurdistan (Mahabad)	22.1.1946	1946–1947	No international recognition.
Republic of North Salomon Islands - Bougainville	1.9.1975	1975–1997	No international recognition.
Republika Srpska (in Bosnia-Herzegovina)	9. 1. 1992	1991–1995	No international recognition.
Rhodesia	11.11.1965	1965–1979	Internationally unrecognized, internally non-sovereign quasi-state in 1965-1975 1965–1975.
Rhodesia-Zimbabwe	1.6.1979	1979	No international recognition.
Sahrawi Arab Democratic Republic	14.11.1975	1976–	Partial international recognition.
Serbian Krajina, Republic of	19.12.1991	1991–1995	No international recognition, de facto dependent on Serbia.
Sikkim	1890–1975	1946–1949 1949–1975	No international recognition. Quasi-protectorate of Great Britain and India.
Somaliland, Republic of	18.5.1991	1991–2009	No international recognition.
South Kasai	8.8.1960	1960–1962	No international recognition.
South Ossetia, Republic of	28.11.1991	1992–2009	No international recognition (recognized since 2008 by Russian Federation, Nicaragua, Venezuela and Nauru), controls ca. 80-85% of

			claimed territory, in reality a puppet quasi-state controlled by Russian Federation.
Suvadives, United Republic	3.1.1959	1959–1963	No international recognition.
Tamil Eelam		1986–2009	No international recognition.
Tanna (Tafea)	24.3.1974– 29.6.1974 15.2.1980– 26.5.1980	1974, 1980	No international recognition.
Tibet	(1.3.1913) 4. 11.1949– 23.5.1951	1946–1951	No international recognition.
Trans-Dniester Moldavian Republic	2.9.1990	1990–	No international recognition, actually a puppet quasi-state of Russian Federation.
Transkei	26.10.1976	1976–1994	No international recognition, de facto no internal sovereignty (actually controlled by RSA).
Turkish Republic of Northern Cyprus	1983	1983–	Internationally recognized by Turkey (de facto guarantor of existence).
Venda	13.9.1979	1979–1994	No international recognition, de facto no internal sovereignty (actually controlled by RSA).
Western Bosnia	27.9.1993	1993–1995	No international recognition.

Distinct majority of unrecognized states which emerged in the post-1945 period either gained independence, e. g. Eritrea or have been eliminated by their parent state, e.g. South Kasai, Katanga or Biafra. It is important to note, as observed by N. Caspersen that a majority of unrecognized states is located in highly volatile regions, and are themselves the product of violent conflict. Unrecognized states are often born out of state collapse or extreme state weakness and represent areas of state failure in the sense that the central state has lost control over the territory. An analysis of the 1946 - 2013 political space reveals the fact that all existing unrecognized states (except of Taiwan) are located within the global gap, not a core. Moreover unrecognized entities result from armed conflicts. Being located within the global gap and highly volatile regions is not a favourable geographical location or geopolitical situation for the state-building and nation-building process. Unrecognized entities are trapped in insecure environment, facing external pressure from their parent states as well as international community. Such environment forces them to justify their existence internally as well as externally. Having spoken about historical examples of unrecognized states it is important to be aware of the fact that economy or even private interests was a driving force behind the attempted unilateral secession. Typical

examples are Katanga, Biafra, Cabinda, South Kasai, Vemerama⁶, Pridnestrovia (mainly serves interests of ruling elite and Sheriff company) and many others. Generally political elites of all unrecognized states derive their demands for international recognition from:

- 1) alleged internal effectiveness (capability to control territory and population within the claimed jurisdiction),
- 2) territorial and governmental legitimacy (expressed by democratic political systems and instruments of direct democracy),
- 3) historical tradition of statehood,
- 4) right to self-determination.

Unrecognized states are often characterized as the opposite to failed or collapsed states, which became kind of widely accepted conventional wisdom. D. Lynch pointed at their deemed effectiveness in internal affairs. “First, these authorities explicitly adhere to an empirical definition of statehood and sovereignty along the lines of the 1933 Montevideo Convention. They maintain that they fulfil all the conditions of positive sovereignty.” (LYNCH 2004: 43). With a deeper knowledge of situation within particular entities, such statements become apparently at least controversial. It might be even argued that the opposite is true. Generally unrecognized and failed or collapsed states are not unrelated and might be even perceived as two sides of the coin. “The two types of entities are not unrelated in that they often result from similar conflicts and wars, but although they have certain similarities, it is important to distinguish between the two concepts, which in some way are polar opposites.” (Caspersen 2012: 7). Especially those which emerged in the post-Cold War era, South Ossetia, Abkhazia, Transnistria, Nagorno-Karabakh among others.

Another argument used by unrecognized states’ political elites in their claims to international recognition is alleged democratic nature: “Rhetorical commitment to democracy is found in a majority of the cases, but popular legitimacy has traditionally been demonstrated through independence referenda, other than through actual democratic elections...“they are also claiming to be more democratic than their parent states and they frequently describe themselves as islands of democracy in otherwise authoritarian waters.” (Caspersen 2012: 85, 71). Democracy is widely considered the only legitimate form of the government so they often use the instruments of direct democracy to demonstrate popular support and justify demands for independent statehood. All the unrecognized states base their claims to independence on popular elections or referenda and legislative

⁶ Another example is the state of Vemerana (moreless private business project), which Prime Minister Jimmy Stevens declared independence in July 1980 and refused for Vemerana to become part of the independent state of Vanuatu. His state came to the end after a Papua-New Guinea military intervention in the August of the same year.

effects to this effect (Lynch 2004: 48). “In many cases referenda conducted in territories willing to secede have returned very substantial majorities in favour (in the range of 65-99%).” (Crawford 2006: 417). Voters in contemporary unrecognized states voted in favour of independence (in the range of 70,2 - 99,8%, turnout 72 - 97%). However this does not mean that secessionist entities are more democratic than parent states. Democratic procedure barely meets standards of free and fair elections, e.g. elections are conducted without the presence of independent electoral observers (however elections in Somaliland are monitored by International Republican Institute). Available data (from Freedom House) offer clear picture: average rate of civil liberties and political rights among nine existing unrecognized states (data for Palestine are not available) is 4,4 and 4,5 respectively, meaning that average unrecognized state would be labelled as not free. Exceptions are Taiwan and Northern Cyprus which are classified as free. We will find average rate of civil liberties 3,8 and 3,6 for political rights respectively among parent states. Obviously unrecognized states are not more democratic than parent states they are seeking to secede from. They range from free states (Taiwan and TRNC) to partly-free (Somaliland) and not-free (South Ossetia or SADR).

D. Lynch mentions additional arguments used by unrecognized states’ elites: “There are two further claimed sources of legitimacy: one historical, the other moral.” (Lynch 2004: 49). It means tradition of statehood and right to self-determination. However both are irrelevant with respect to the fact that all existing unrecognized states emerged outside the context of decolonization where the principle of self-determination cannot be applied. From the geopolitical perspective the position of unrecognized states ranges from wide recognition (Kosovo, Palestine), over engagement (Taiwan, Somaliland) to outcast status (Rhodesia, Republika Srpska Krajina). This leads unrecognized states to pursue their own strategies in order to secure their vital interests, independent statehood respectively. Although the system based on the institution of sovereign state is according to numerous authors declining. Not being able to gain international recognition, particular entities either rely on their own resources (e. g. Somaliland) or an external patron state (e. g. South Ossetia). The first strategy is prospective in case of strategically situated entities. Somaliland’s strategic position on the Horn of Africa, by fear of instability, and by the lack of effective opposition from Somaliland’s parent state, Somalia. “Somaliland’s independence is supported by Rwanda, South Africa, and Zambia.” (Caspersen 2012: 43). Somaliland’s situation is eased by the breakdown of state institutions in Somalia, which is the decisive factor enabling Somaliland to survive. On the other side all Euroasia’s unrecognized (also TRNC and Taiwan respectively) states rely on patron state which provides security guarantees and economic support. N.

Caspersen argues that: „Reliance on a patron state is also not free of cost, and the patron-client relationship is therefore marked by tension, even in cases where this dependence is largely desired – and not imposed.” (Caspersen 2012: 109). Unrecognized states are still trapped in geopolitically hostile environment characterized by external threats which does not allow them to enjoy benefits of:

- political globalization (recognition, embassies, membership in international organizations, international agreements, participation in UN peace-keeping operations etc.),
- economic globalization (export, import, foreign investments, development aid etc.)

in order to reduce security risks and importance of military power.

The economic impact of non-recognition on unrecognized states in the era of globalization

The post-Cold War era, however, appeals to existing unrecognized states with different constraints and different possibilities. It is safe to argue that the existence of unrecognized states negatively impacts economies of parent states and thus vital interest of parent state is to restore its territorial integrity (core attribute of statehood) through all available means. This inevitably impacts unrecognized states' very existence. They find themselves located in the global gap, volatile regions and generally vulnerable in a hostile environment, which diminishes their chance for successful state-building and long-term survival. Position of parent states and international community (position of parent state and international recognition may completely differ if the secession is perceived as the result of wild-scale breach of human rights) to unrecognized states ranges from 1) elimination (Republika Srpska Krajina, Bougainville), 2) active opposition (Rhodesia), 3) ignorance (Somaliland), 4) limited acceptance (Northern Cyprus⁷ and Taiwan widely), 5) recognition (Palestine, SADR). The Bougainville managed to resist the pressure from the parent state and survive against the wishes of certain governments (e. g. Australia) and subsequently negotiate a peace agreement that promises independence referendum between 2015 - 2020.⁸ It must be noted that Bougainville faced extremely unfavourable conditions without any external support.

⁷ “After the Annan Plan for Cyprus was defeated by the Greek Cypriot population in 2004, international engagement with Northern Cyprus has increased and some observers now speak of the risk of Taiwanization....(CASPERSEN 2012: 115).”

⁸ „One of the most extreme examples of this kind of strategy was the brutal eight-year-long air and sea blockade the Papua New Guinea government imposed on Bougainville. All transport was halted including medical supplies and humanitarian aid, resulting in great hardship for the Bougainvillean population (CASPERSEN 2012: 130).“

In completely different situation is Taiwan, a unrecognized state of *sui generis* which has unlimited access to international markets and profit from high engagement with the parent state is obvious.⁹ “Taiwan does 30 percent of its trade with China, with 40 percent its export going to mainland.” (Kaplan 2013: 218).

Specific position of Taiwan may also be documented by economic data. Its GDP slightly exceeds 20 000 USD per capita. However most of unrecognized states lie between the extreme cases of Taiwan and Bougainville. They find themselves in a position of pariah country which restrains their economic performance. Unrecognized states are unable to attract foreign investors, join international organization (such as Universal postal union, World Trade Organization), trade on the global market (in the field of commodities, military equipment etc.), obtain loans from International Monetary Fund or World Bank, their citizens are restricted in travelling or representing their „states“ in sport. In long-term run it leads to frustration among population and depopulation, brain-drain and loss of human capital. All above mentioned factors strongly restrain economic performance of all those entities. Vulnerability of unrecognized states arises not only from their pariah status in international community, but also from resources they are endowed with. The territory of existing unrecognized states ranges from 0,37% in case of Taiwan to 37% in case of SADR of the parent state’s territory. If we consider a share of population, unrecognized states constitute obvious majority, the most significant in this respect is Somaliland, Palestine, TRNC and Kosovo. Combination of external threat, outcast position and limited resources does not necessary lead to erosion of governmental legitimacy (popular support), but it inevitably increases pressure on the unrecognized state budgets which are forced to maintain military expenditures as a top priority. Subsequently other aspect of state-building are underfinanced (infrastructure, state institutions, public services...). “Reliance on self-generated economic growth is not a viable strategy so unrecognized states without access to international markets are forced to find alternative sources of financing, which is a patron state¹⁰ or

⁹ „The most extensive degree of engagement with the parent state is probably seen in Taiwan....After an absence of nearly sixty years, direct flights between China and Taiwan were introduced in 2008, resulting in an increase in tourist revenue for the island (CASPERSEN 2012: 66).“

¹⁰ “Armenia, for example, serves as a vital economic lifeline for Nagorno Karabach, Karabach uses the Armenian currency, its inhabitants use Armenian passports, and Armenia grants the entity a so-called interstate loan, which in the first years after the war made up the vast majority of Karabach’s budget. Armenia, moreover, provides the main market for products from Nagorno Karabach and constitutes its only link with the outsider world. In fact, when it comes to economy, culture, and defence, Nagorno Karabach and Armenia can be seen as a single space. Similarly, Russia has since 2002 provided the inhabitants of

diaspora community's financial and economic support. However, (t)he main tendency is probably closer to a case such as Somaliland, whose GDP per capita was estimated at only 226 USD in 2003. As a comparison, South Ossetia's GDP per capita was in 2002 estimated at 250 USD and Abkhazia's was in 2001 estimated at 350 USD. The Abkhaz authorities argue that by 2009, it had increased to 2530 USD." (Caspersen 2012: 54). Lack of recognition results in flourishing shadow economies (it is often reaction to trade blockades imposed by parent state as in case of Bougainville).¹¹ The most extreme case is Transnistria where the gap between „state“ and Sheriff's company private interest was virtually closed. "On the other side in the context of non-recognition it is often difficult to distinguish illegal trade driven by criminal element from illegal trade driven by the need for survival." (Caspersen 2012: 22). While emergence of the unrecognized state is determined by internal factors, its result is defined by external factors. The unrecognized state can survive without significant recognition and economically prosper in the era of globalization. The most obvious example is Taiwan, Somaliland, TRNC or Bougainville. Prospects and restrains of economic performance depend on interests and approach of the parent state, patron state and international community. „The economic tool has also been praised as potentially positive by the international community, which hopes that unrecognized states will be encouraged to compromise by the promise of eventual assistance for reconstruction and reform." (Lynch 2004: 63).

Overall performance is, however, affected by their position on the world political map. With the exception of Taiwan all unrecognized states are located outside the integrating, rich and prosperous global core which determines their economic performance. It is obvious that systemic forces of political, military power, economic forces of globalization and international rules contributes to emergence of entities with qualitatively different level of statehood. Cooper or Sorensen speak about pre-modern, modern and post-modern (post-colonial) state. Each category faces different security dilemma (military and political institution, economic resources, idea of state). While political and economic globalization reduces the importance of military power in post-modern world (as the result of economic and political

Abkhazia and South Ossetia with passports it has paid local pensions, and has contributed significantly to their state budgets. In the case of Transnistria, Russia is the source of (semi)-private investments, it is a major market for exports, and it provides loans and credit, helps with pensions and has ensured the continued flow of subsidized gas, even in the face of nonpayment. A final example is the case of Northern Cyprus, which remains completely dependent on Turkey for its economic viability: the Turkish lira is used in the entity, the head of the central bank is a Turkish citizen and Turkey provides financial support in the form of aid, loans and subsidies (CASPERSEN 2012: 56).“

¹¹ „Pal Kolsto argues that virtually all unrecognized states have a large shadow economy, often with intimate links to top state leaders (CASPERSEN 2012: 22).“

cooperation), unrecognized states are located in the modern or pre-modern world, where national boundaries, anarchic international environment or traditional security dilemma still matter. It was accurately observed by Bottici: „The landscape of contemporary global politics is indeed extremely varied. As well as regions characterised by complex interdependence, there are others where global processes are weaker and produce quite different results.” (Bottici 2002: 15).

Conclusion: the Impact of Recognition on Unrecognized States' performance

The aim of the text was to analyse the impact of non-recognition on economic potential and restraints of unrecognized states in the era of globalization. In the beginning it was necessary to challenge a mythology of de facto statehood which is based on an assumption that these entities are opposites to failed states. Although both types of entities are not unrelated, unrecognized states fail to create effective state-institutions, effectively control the whole territory to which they lay claim, or perform economically well (however it does not mean they are not able to resist parent state attempts to restore territorial integrity). They find themselves trapped in the world of chaos and insecurity (however collapse of some parent state enables unrecognized states to survive), outlined by the New Middle Ages Theory, where they cannot, with the exception of Taiwan or Rhodesia in past decades, rely on the system of negative sovereignty. I also argued that geopolitical position of particular unrecognized state plays a decisive role in its prospects and limits of economic growth. Restraints posed on these entities are of external character, and are results of their illegitimate origin (unilateral secession without the consent of the central government). Economic potential and restraints are defined by external factor: relation between the unrecognized state and its parent state and position within the international community. Position of unrecognized states ranges from completely pariah status (facing blockades without access to international markets) to recognition. Outcast countries are forced to follow alternative strategies, rely on patron state, shadow economies or diaspora community. This results in expansion of shadow economy in their effort to secure vital resources and existence (but this can undermine internal cohesion). Therefore unrecognized states are not bolstered by globalization because they are located in the global gap not in globalizing core, except of Taiwan again, which agreed to privatize its diplomatic relations in exchange for extensive engagement with the international community and parent state respectively. Taiwan challenges conventional wisdom that all unrecognized states consider independence more important than economy.

But in most cases „(t)he security imperative is seen as far more important than the economic imperative by the separatist authorities and their populations.” (Lynch 2004: 64). To reach political goal (independence) and economic goal (prosperity) is extremely difficult for unrecognized states as they are mutually exclusive. “The cost of non-recognition for unrecognized states therefore depends on their ability to muster international goodwill and on the position of their parent state.” (Caspersen 2012: 45). Unrecognized states are located in modern or pre-modern world of positive sovereignty, where national boundaries, anarchic international environment or traditional security dilemma still matter. The possible outcome of the situation ranges from: 1) *Reintegration through military means*¹² (e. g. Biafra, South Kasai, Republika Srpska Krajina, South Ossetia), 2) *autonomy arrangement* (Bougainville, Gagauzia), 3) *Power-sharing*¹³, 4) *The continuation of the status quo* (Taiwan) (Caspersen 2012: 125-126) and 5) *Independence* (Eritrea, Kosovo in future). As stated above (best example might be 25 years long existence of Tamil Eelam which has been eliminated in 2009) even the existence of the unrecognized state exceeding two decade does not ensure its long-term survival.

Unrecognized states are thus stuck in dilemma whether to try to pursue political (independence) as well as economic goals (prosperity) which seem to be mutually exclusive. So long as political elites of the unrecognized and parent state think in terms of zero sum game, the unrecognized state will face security dilemma. Also their economic performance is encumbered by the lack of their international legitimacy and geographical position within the global gap or post-modern world which limits their opportunity to interact at international level. Nine out of nine existing unrecognized states stretching from Europe over Africa to Asia failed to reach economic prosperity and muster international goodwill. It is even a case of the unrecognized states which reached relatively significant international recognition (Kosovo, SADR, Palestine). However their inability to engage with parent state strongly restrains their weak economies. As argued above contemporary unrecognized states (except of Taiwan) are located outside the core (or bordering gap) in the regions which are actually excluded from the process of globalization (sub-Saharan Africa, Caucasus, South-East Asia) (Waltz 1999). The post-modern world left them aside in the unfavourable system defined by anarchic relations, positive sovereignty, traditional security dilemma, illegitimate status and unstable borders. First of all they desperately need to justify (externally) and defend (internally) their very

¹² “The most likely outcome for unrecognized states, but it is anything but peaceful and often has very little to do with humanitarian values (CASPERSEN 2012: 123).”

¹³ “This provides the unrecognized state with guarantees against being outvoted in the reintegrated parent state (CASPERSEN 2012: 126).”

existence in zero sum international game. I come to conclusion that potential and restrains of economic growth of particular unrecognized state is predominantly determined by its geographical position and systemic forces (political, military, economic power, international norms) which shape international environment in their region.

Possible solution (in terms of economics) is a privatization of diplomatic relations which would make it possible to engage with parent states. This approach would require moderate approach of political elites on both sides. The only present days unrecognized states which may hope to reach internationally recognized independence is Kosovo, Palestine and even Western Sahara which meet conditions (large scale breach of religion tolerance, minority rights, human rights) under which the international community deems the rules of sovereignty invalid and subject to outside intervention (recognition). The other unrecognized states face the unfavourable political as well as geographical situation in which the international community prefers international stability.

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